

## Message Text

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14

ORIGIN AEC-11

INFO OCT-01 IO-13 ADP-00 SCI-06 ACDA-19 CIAE-00 INR-10

L-03 NSAE-00 NSC-10 RSC-01 SCEM-02 AF-10 ARA-11 EA-11

EUR-25 NEA-10 /143 R

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DHOYLE IP: AD/ SMP IO/ SCT: RKENT

L: SCI: EMAURER

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R 222215 Z JUN 73

FM SECSTATE WASHDC

TO USMISSION IAEA VIENNA

UNCLAS STATE 122914

E. O. 11652: N/ A

TAGS: IAEA

SUBJ: CHANGES IN SUPPLY AGREEMENTS LANGUAGE

1. U. S. MATERIAL LEASING POLICY ENDS JUNE 30, 1973,  
GIVING RISE TO NEED FOR CERTAIN REVISIONS TO SUPPLY  
AGREEMENTS BETWEEN U. S., AGENCY AND THIRD COUNTRIES.
2. AS WRITTEN, SUPPLY AGREEMENTS CONTEMPLATE AEC LEASE  
OF MATERIAL TO MANUFACTURER WITH TITLE TO PASS FROM AEC  
TO AGENCY AT U. S. PORT OF EXPORT. AEC INVOICES AGENCY  
FOR PRECISE QUANTITY AND ENRICHMENT OF MATERIAL ACTUALLY  
EXPORTED. LEASE CHARGES AND MATERIAL LOSSES INCURRED BY  
MANUFACTURER PRESUMABLY BECOME PART OF FABRICATION COSTS  
TO BE PASSED ON TO END- USER.
3. AFTER JUNE 30, TITLE TO MATERIAL MUST PASS TO PURCHASER  
FOB AEC PLANT SITE, NOT AT PORT OF EXPORT. THIS WILL  
NECESSITATE CHANGES IN LANGUAGE OF SUPPLY AGREEMENT  
ARTICLES CONCERNING TRANSFER OF ENRICHED URANIUM AND PAYMENTS.

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4. SUPPLY AGREEMENTS MIGHT BE REVISED TO PROVIDE FOR AGENCY PURCHASE AT AEX PLANT OF SUFFICIENT MATERIAL, INCLUDING CONVERSION AND FABRICATION LOSS ALLOWANCES, TO MEET END- USER' S REQUIREMENTS. OR, AGREEMENTS COULD PROVIDE FOR FABRICATOR TO PURCHASE SUFFICIENT MATERIAL WITH AGENCY MAKING APPROPRIATE CONTRACTUAL AND FINANCIAL ARRANGEMENTS WITH FABRICATOR FOR DELIVERY OF FINISHED PRODUCT TO END- USER.

5. FYI: GEORGE LAW, GULF ENERGY AND ENVIRONMENTAL SYSTEMS, PLANS VISIT TO ROMANIA WEEK OF JUNE 17 TO DISCUSS TERMS OF GULF- ROMANIA CONTRACT FOR FABRICATION OF FUEL ELEMENTS, CONTRACT IAEA/ S/67. LAW HAS EXPRESSED CONCERN TO AEC THAT TERMS OF GULF' S CONTRACT WITH ROMANIA AND LANGUAGE OF SUPPLY AGREEMENT BETWEEN U. S., ROMANIA AND AGENCY WILL CONFLICT. MISSION MAY EXPECT FEEDBACK FROM AGENCY AND ROMANIA AS RESULT OF LAW' S VISIT. IF SO, WE RECOMMEND MISSION SUGGEST THAT AGREEMENT BE AMENDED TO PROVIDE FOR PURCHASE OF SUFFICIENT MATERIAL TO MANUFACTURE FINISHED FUEL ELEMENTS. AMENDMENT MIGHT BE ACCOMPLISHED THROUGH EXHCNAGE OF LETTERS. END FYI.

6. WE ARE NOW REVIEWING CONTENT OF SUPPLY AGREEMENTS WITH VIEW TO DEVELOPING NEEDED CHANGES WHICH CAN BE WRITTEN INTO FUTURE CONTRACTS AND WOULD WELCOME MISSION' S COMMENTS. RUSH

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